



# 7IM conflicts of interest policy

September 2020

## Introduction

When the 7IM business was initially established, one of the founders' main principles was to align its long-term interests with our clients and this tenet has guided development ever since. 7IM does recognise, however, that there will be occasions when the interests of its business may conflict with those of our clients and also when the interests of a client or clients may conflict with those of others. The purpose of this document is to explain the principles by which 7IM operates and the means by which it identifies and mitigates conflicts.

## Regulatory background

7IM is authorised and regulated in the United Kingdom by the Financial Conduct Authority ("FCA") and, in respect of the operations of its branch in Jersey, by the Jersey Financial Services Commission ("JFSC"). As such, 7IM is required to adhere to the principles espoused by the regulators in dealing with conflicts of interest.

The requirements of the FCA are summarised in Principle 8 and detailed in the SYSC Sourcebook of the FCA Handbook and those of the JFSC within the Codes of Business which apply to 7IM's regulated activities in that jurisdiction. This document outlines 7IM's strategy for meeting those requirements.

## The nature of conflicts

7IM defines a conflict of interest as any situation where:

- 7IM's interest in the outcome of the management of a product or service differs from what would be the most favourable outcome for a client or clients
- The structure of a product, service or transaction is such that 7IM's interests or those of a client could be favoured over another client
- An inappropriate incentive is available which may lead a partner, an employee or the firm in general to favour their/its own interest above those of a client or clients
- The opportunity exists to make a profit or avoid a loss at the expense of a client or clients.

## Identification of conflicts

The identification of actual or potential conflicts of interest is led by 7IM's compliance function through liaison with all members of the 7IM Executive Committee to ensure that appropriate consideration is given to all areas in which the business operates. On confirmation that an actual conflict exists in practice, the following steps are taken:

- The nature of the conflict and the potential detriment that may accrue to a client is documented
- The controls which are embedded in processes are identified and documented
- Additional controls which are procedural are identified and documented
- The 7IM Executive Committee member with primary responsibility for the business area or process is required to sign a document confirming that the documented controls are in place and that they expect them to mitigate the conflict appropriately.

## Types of conflicts and their mitigation

Consideration of the types of conflict that may arise in the course of business has identified the following circumstances as, non-exhaustive, examples of areas where mitigating process may be required to achieve the desired outcome of putting the clients' interests above those of 7IM:

### *Partner & staff remuneration*

7IM's statement of compliance with the applicable Remuneration Code is published in detail on its website. The principles include no direct connection of remuneration to the achievement of sales targets, all bonuses being discretionary and behaviours as well as performance being taken into account.

### *External interests*

All partners and staff members are required to disclose all external business interest, including those of their closely connected persons, to enable an assessment to be carried out to identify whether any conflicts may arise. If that should prove to be the case, relevant activity is subject to particular scrutiny.

### *Inducements*

7IM operates a policy to make it clear that the acceptance or offering of any gift or hospitality which may induce it or a third party to act against the interests of client is unacceptable. The policy recognises that there may be occasions where the opportunity to build a new or existing business relationship means that engaging with third parties outside the normal business environment may be appropriate subject to appropriate disclosure and approval.

### *Acting for more than one client or group of clients*

If 7IM executes a transaction where one client or group of clients are selling a security and another is the purchased for more than one client or groups of clients there may be the risk or opportunity of treating a client or group of clients more favourably than another for their benefit or 7IM's.



### *Receipt and usage of market sensitive information*

The nature of 7IM's business means that it is unusual for it to receive such information; but, on the occasions that 7IM does, processes are in place for the information to be appropriately controlled and its usage prevented.

### **Un-conflicted activity**

There are a number of areas where conflicts of interest commonly occur in 7IM's sector; but which do not arise due to the structure of its business. Examples are:

- 7IM does not charge a dealing fee, which removes any incentive for it to trade unnecessarily
- 7IM does not publish any research and therefore does not make recommendations to any third parties where 7IM may have a vested interest
- 7IM does not hold securities on its own account or have any proprietary trading function. Therefore, 7IM always acting as its clients' agent when executing transactions and it is in 7IM's interest as well as theirs to gain the most favourable outcome.

### *Use of and payment for research*

Research commissioned by 7IM for use within its investment process is funded from 7IM's own resources with no charge being made to its clients, either directly or via funds.

### **The role of compliance & independent oversight**

Consideration is given as to how the effectiveness of the documented controls can be evidence as being effective in practice. Where appropriate, reviews of these controls are included within the scope of compliance review programmes.

7IM's business is structured in such a way that 7IM believes it is very unlikely that a conflict will arise which it cannot readily manage and be in a position to demonstrate the effectiveness of mitigating processes. If such a scenario did arise, 7IM would refer the matter to its Audit, Risk and Compliance Committee for discussion and guidance. That committee has an independent Chairman and the presence of two Non-Executives, none of whom are involved with the day to day management of the business.

### **More information**

This document is a brief summary of 7IM's approach to this important issue, which is taken very seriously. 7IM will always be happy to discuss particular aspects of its approach to clients and prospective clients. If you do have particular questions please contact [compliance@7im.co.uk](mailto:compliance@7im.co.uk).